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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
Proposal to Revise the)	CC Docket No. <u>96-45</u>
Methodology for Determining)	CC Docket No. <u>97-160</u>
Universal Support)	DA 98-715-USF Proposal

To: The Common Carrier Bureau

Comments of Insti-Call

Insti-Call, Answering Service, Inc., (Insti-Call) by its attorneys and pursuant to Section 1.415 of the Commission's Rules, 47 CFR § 1.415, hereby submits these comments in response to the FCC's Public Notice dated April 15, 1998 in the above-referenced proceeding. In particular Insti-Call responds to the "Proposal of Puerto Rico Telephone Company" ("PRTC"), which would maintain Universal Service support in "insular areas" at their current levels, in the event that any proposed proxy model reduces support payments below their current levels.

I. Statement of Interest

Insti-Call is a corporation organized under the laws of the Commonwealth of Puerto Rico. As an authorized Commercial Mobile

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Radio Service ("MRS") licensee, Insti-Call provides one-way paging service throughout the island.

At this moment, it provides services to approximately 3,000 paging units throughout Puerto Rico, offering alphanumeric and numeric messaging services to its customers.

PRTC provides local and interexchange telephone services within Puerto Rico. In addition, PRTC operates paging services through its "CT" division, which directly compete against Insti-Call. Consequently, due to its status as a competitor with PRTC, Insti-Call has standing as a party in interest to file formal comments in this proceeding.

II. Insti-Call Comments to PRTC's Proposal

Insti-Call is left with no alternative but to concur with the comments of Puerto Rico's Association of Competitive Telecommunications Providers ("APCT"), and Celpage, Inc., ("Celpage"), supporting PRTC's proposal but subject to strict conditions to avoid misuse of those resources within the competitive environment that should prevail in the Puerto Rican market. Accordingly, the FCC should adopt the proposal presented by PRTC without accepting as correct the reasons stated therein. Such

decision may serve to avoid financial turmoil in the telecommunications industry that would jeopardize service to thousands of consumers. PRTC, lacking independent regulatory supervision, and still acting as a "de facto" monopoly, has distinguished itself through unlawful cross-subsidies and inefficient service. Notwithstanding our serious concern about PRTC's good faith and efficiency, we must concede that the only way to maintain service in Puerto Rico at affordable rates under the proposed proxy models, will be by allowing PRTC to continue to receive existing universal service supports, but in no event beyond the year 2001.

III. PRTC's Unlawful Cross-Subsidies

We have reviewed the statements submitted by other interested Parties, such as Celpage and APCT about PRTC's exposition considering the economic impact of curtailing income from the universal fund. It is stated by PRTC that in 1997 it received over \$107 million in combined universal and long-term support. We agree that under either of the proposed proxy models, PRTC's support could be reduced to either \$37 million or as little as \$682,000 starting next year. This must certainly be a worrisome event, not only for PRTC, but for the telecommunications industry in Puerto Rico.

As concluded from FCC records and highlighted by both Celpage and APCT, PRTC's problem is actually worse than it had suggested. On January 1998, the Industry Analysis division of the Common Carrier Bureau published a document titled "Universal Service Support and Telephone Revenue by State". It itemized the components of the Puerto Rico Universal Service Fund ("USF") contribution for 1997, that as revealed by the document are as follows:

Long Term Support – PRTC received \$96,580,000 out of a total of \$471,126,000, or 20% of the total in the entire United States.

High Cost Support – PRTC received \$48,935,000 out of a total of \$825,644,000, or 6% of the nation's total. PRTC received in 1997 a total of \$145,574,000 in support payments, while contributing only \$8,944,000 to the USF.

The figures show that a sudden elimination of the subsidies received by PRTC will result in the destruction of competitive telecommunications carriers and will jeopardize service to thousands of consumers.

Puerto Rico will have to impose about \$109,500,00 in USF contributions to make up the shortfall (approximately an 11% tax on all intrastate Puerto Rico telecommunications revenues), assuming that PRTC's subsidies total \$146 million, and 25% is supported from the federal fund. The total tax on telecommunications services will amount to over 16%, including federal and local USF contribution. Such a clearly excessive tax will not only become a huge entry and operational barrier for Insti-Call as well as to other competitive carriers in Puerto Rico, but could price essential wireless telecommunications services out of the reach of hundreds of thousands of personal and business users.

In addition, these costly fees will perpetuate the anticompetitive environment in the telecommunications services area. PRTC will be able to absorb the costs while other competitive carriers will have no choice but to pass the 16% cost increase to their customers.

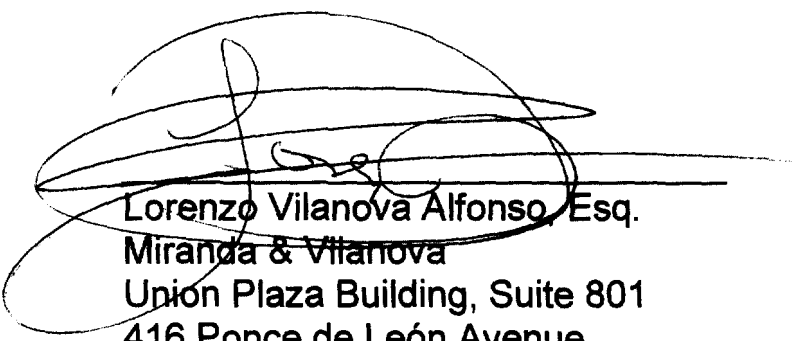
In order to avoid strain and economic hardship to both the telecommunications industry and the consumers, the FCC should allow PRTC to continue to receive its \$146 million in subsidies. Notwithstanding, the FCC should commence an immediate investigation of the monopolistic practices carried out by PRTC,

which should be eliminated. PRTC should face the same regulatory scrutiny that applies to LECs in the United States; therefore it should cost-justify its practices. PRTC should reach an efficiency level that corresponds with the telecommunications industry standards.

Conclusion

WHEREFORE, Insti-Call respectfully requests that the Commission adopt PRTC's Proposal on an interim basis, but only with the conditions that have been set forth.

Respectfully Submitted, on this 29th day of May, 1998.



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